SECRET CONTROL
For American Officials Only

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WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY OF WAR
HEADQUARTERS, STRATEGIC SERVICE UNIT
CHINA
APO 907

1 June 1946.

TO: SAINT, (JJ/2 and DH/5)

FROM: SAINT, (BH/66)

SUBJECT: MONTHLY PROGRESS REPORT, MAY 1946.

1. Attached hereto is a copy of the Monthly Progress Report, Counter Espionage Section, for the month of May 1946.

Distribution:

2 Washington
1 MI & MI Det
2 Shanghai
1 Peking
1 Tientsin
1 Tsingtao
~~1 Chungking~~

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F.

8-2-53

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SUBJECT: MONTHLY PROGRESS REPORT, MAY 1946.

TO: AMOS D. MOSCRIP, JR
COMMANDING OFFICER, SSU, CHINA

PART I ADMINISTRATIVE

A. FINANCIAL STATEMENT

The financial statement will be submitted at a later date under separate cover.

B. CURRENT STATUS

There have been no changes in the current status since the Monthly Progress Report of April 1946 except as noted below.

DEPARTURES

Miss Dorothy Ellis
Mr. Edward Leung
Mr. Renie Yuen
Miss Constance Palmer
Capt. Denton Burdick
Capt. James Lucas
Capt. Irving S. Layton
Miss Gertrude Ebbert
Miss Betty T. Oppenheim
Mr. Harry Ho
Miss Betty Jane Hill

ANTICIPATED DEPARTURES

William S. Crawford

MONTHLY PROGRESS REPORT -- COUNTER ESPIONAGE SECTION, MAY 1946

PART II OPERATIONS

A. SHANGHAI

1. Mr. GLENN D. FIELDS is replacing WILLIAM S. CRAWFORD as Chief of X-2, China, pending the arrival of a permanent chief from Headquarters, Washington.

2. The present offices in the Tower of the Development Building have proved to be ideal for X-2 work in Shanghai. Due to the vacating of its offices in the building by the Headquarters Detachment of U. S. Forces in China, it has been necessary to build gates to the stairs leading to the 14th floor and a Sikh guard has been placed on duty after working hours to insure security. Courier service and transportation to the SSU Headquarters Compound maintain close liaison between the two offices.

3. A photographic unit has been set up in the Development Building offices which enables investigators to photograph material in an emergency. A "photo-record" camera is also available for rapid photographing of voluminous materials.

4. During the month of May, X-2, Shanghai, operated under a crippling shortage of stenographic personnel. This situation has been alleviated to some extent locally, and the arrival of personnel from the United States is expected momentarily to complete the office staff.

5. After several conferences held with the representatives of the 7th Fleet Intelligence Section it was decided that direct local discimination of X-2 reports would be made to that agency. Space will be provided for several Navy Russian translators in the X-2 office. It is believed that this development will insure closer collaboration between the 7th Fleet and SSU and prevent needless duplication of effort.

6. SERVICES FOR OTHER AGENCIES

a. A total of 259 visa applicants were checked against our files for the American Consulate General, Shanghai.

b. 212 commercial firms (including partners and managers) were checked against our files for the commercial section of the American Consulate.

c. Approximately 781 name checks were made for CIS, G-2.

d. Daily reports on Chinese-Communist activities were submitted to G-2 upon request of that organization.

B. FIELD STATIONS

1. MUKDEN The Mukden detachment, previously in the process of setting up a field station under adverse circumstances, is now more able to function in compliance with X-2 plans and directives for that area. Lt. Charles Whitehurst, formerly at Canton, has replaced Captain Lucas in Mukden.

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2. PEIPING The Peiping X-2 detachment is now under the operation of James and Thomas Waldron who are continuing the development of CE cases in that area and have performed various services for the American Consulate and for the U. S. Military representatives in Peiping.

3. TIENTSIN The detachment at Tientsin is composed of and directed by Harry D. G. Carroll and Albert W. Rennig. Visa clearances were checked for the American Consulate and transportation clearances, employment checks, and investigations were made for the U. S. Marine Corps in Tientsin.

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PART III. INTELLIGENCE

A. GENERAL SUMMARY

1. Information gathered during the past month indicates that YAKSHAMIN, nominal head of TASS news Agency in Shanghai, might carry more weight in local Soviet Intelligence circles than this office previously thought. This is corraborated by 1) Eugene Cleige (See DETAILS) who states that Yakshamin is the key man in Soviet Intelligence in Shanghai, and 2) the fact that a TASS reporter is known to have been requested to secure certain information of an intelligence nature. Inquiries are being conducted to determine Yakshamin's actual position. Meanwhile, Soviet intelligence agencies seem increasingly interested in U. S. Army activities. The first actual evidence of interest in SSU was given when a representative of the Central Trading Agency (Soviet intelligence cover) pointed out a SSU operative. The trend of Chinese intelligence this past month stressed "thought control" and the suppression of "unhealthy" ideologies. This trend is the outshoot of political conditions and is expected to be strengthened. Chinese espionage coverage of the Far East suffered a set-back with the death of Wang P'eng Sheng, head of the Institute of International Relations. This agency which concentrated on Japan, Formosa, and Japanese controlled territory during the war, was broadening its scope of activities to include Manchuria and Korea. Without Wang, who is said to have dominated the Institute, the belief is that it will lose most of its effectiveness.

B. OUTSTANDING REPORTS OF THE MONTH

1. Summary report on British Intelligence in China.

2. Summary report of Chinese Intelligence Activities.

3. Summary report on German Intelligence Activities in China.

C. DETAILS

1. SHANGHAI

Interrogation of Eugene Cleige.

Eugene Cleige, a.k.a Pick Bovans, etc., previously reported on by this office, is being interrogated at present by an X-2 representative. Cleige was an agent for the Jap Naval Intelligence Office, Shanghai, during the war, and is providing information concerning Japanese intelligence activities and personnel, as well as German, Russian, and other nationality groups.

SOVIET

WHITE RUSSIANS Indications are that the White Russian group in Shanghai is strengthening its position despite the efforts of the Soviets to swing Russian Emigrants to their side. The meeting held by the Russian Emigrants Society enjoyed a large turnout.

SOVIET INTEREST IN SSU. It has been reported that Soviet Intelligence is becoming increasingly interested in SSU personnel and activities. This is evidenced by the fact that a representative of the Central Trading Agency is known to have pointed out an X-2 operative.

RUSSIANS WORKING FOR U.S.ARMY. Investigations are continuing on two (2) Russians who may possibly have Soviet Intelligence connections and who are working as radio or teletype operators at the Army installation in Nanking.

SOVIETS AND CHINESE MOHAMMEDANS One source states that the Soviets are attempting to influence Chinese Mohammedans as is evidenced by the general movement now observed among Chinese Mohammedans to be anti-Chungking.

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CHINESE

PENETRATION OF AMERICAN CONSULATE There is a possibility that the BIS agent who has reportedly penetrated the American Consulate may have been identified. Investigations are continuing in this respect.

INSTITUTE OF INTERNATIONAL AFFAIRS The death of WANG P'ENG SHENG, head of the Institute, was reported in local newspapers. The Institute was concerned with information relating to Formosa and Japan during the war and since the end of hostilities, has become more active in the espionage field. However, it is believed that the Institute will lose most of its effectiveness because of WANG's death.

CHINESE INTELLIGENCE ORGANS. Improved liaison and collaboration has been noted during the past month between Government and Kuomintang and subsidiary intelligence organizations. This fits into the picture of consolidation attempts on the part of Chinese intelligence organizations.

CHINESE COMMUNISTS

COMMUNIST MAGAZINE The Communist Party in Shanghai has begun publishing a weekly magazine called "THE NEW CHINA WEEKLY" in English and three (3) issues have already been distributed. This magazine attempts to present the Communist side of recent political and military developments and editorializes on American foreign policy as it effects Kuomintang policy, besides criticizing the present Chinese government.

UNDERGROUND ACTIVITIES Infiltration of Communists into the Shanghai area continues. A Party Headquarters is to be established in the Canton area. Report also includes alleged Communist intelligence aims and changes in control committee of Shanghai Communist Party.

OPINIONS OF JAPANESE In a recent poll conducted by the Self-Governing Association and the "Reformed Daily News" in Shanghai, the Japanese people voted to retain the emperor system and not to consider the emperor a war criminal; 36% believed in the divine power of the emperor and support the Liberal Party; 30% believed war criminals have been dealt with too severely and favor trials by Japanese courts; 16% prefer to remain in China.

COMMUNISTS A member of the executive section of the Japanese Communist Party started a campaign to arrange that the Japs in China be permitted to vote in elections held in Japan. He reportedly contacted the Communist Party in Japan and assured them that the Shanghai Communists were very strong.

SOVIET INTEREST ASPELANTEST, which was organized by the Japs in Shanghai, is the parent organization by which the Russians hope to introduce the Japs to modern political training. (It is believed that such training means a basic study of how to conduct Communist political movements.)

OTHER NATIONALITIES

FORMOSAN INDEPENDENCE MOVEMENT The local Formosan community of Approximately 2500 people have started a movement for the independence of Formosa. This movement is supported by some radical pro-Jap factions.

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ESTONIAN COMMUNITY

The Estonian Community in Shanghai, at present numbering about 142 persons, has no organization either political or social. In October 1940 the local Estonian Consulate was raided by the representatives of the Russian Government and since that time all acts by the Consulate have been unofficial as far as Estonia is concerned. At the present time there has been an attempt on the part of the Russian Government to interest these individuals to become Soviet citizens. However, few passports have been issued to this particular group. The sympathy of the majority of the community has been and is at present mainly with the German nation.

SPANISH

It has been reported that Soviet propaganda is in touch with the Spanish Democratic and Communist organizations. Efforts are believed to be directed against the Spanish Consulate. Spanish Communists are said to be investigating the granting of passports to Germans by local Spanish Consular officials.

2. FIELD STATIONS

MUKDEN

Three Japanese have been reported to be working for Soviet Intelligence in Mukden. They are preparing rosters on Japanese and Chinese personalities, and reporting on Chinese military operations.

Dossiers are being made on Soviet and other intelligence agents in the Mukden area.

TIENTSIN

Soviet intelligence agencies in this area are reported to be interested in the reasons underlying the reorganization of General Wedemeyer's Headquarters and also in the personnel commanding the two Headquarter offices which are to be established in Nanking and Peiping.

The opinion of certain White Russians in Tientsin is that the situation and position of Americans in North China is growing worse daily and that this has complicated the position of the remaining Russian Emigrants. These had hoped for American support but none has been forthcoming.

It has been reported that the Chinese Communists in the Central Hopei area have been very active recently, with an additional secret intelligence man having been sent to Tientsin. Tientsin is divided into ten areas and 100 newly organizedand trained SI men will be sent to each of these sections.

A report has been prepared on the mission of Japanese intelligence at Suiyuan including the attempts to incite Mongolians to join the Japanese against the Chinese.

PEIPING

A Society of Soviet Citizens was organized at Peiping at a meeting held on 28 April 1946 under the sponsorship of the USSR Consulate with approximately 200 members enrolled. The purpose of this group at present is social and cultural as well as the distribution of welfare materials to members of the Russian colony.

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D. PROPAGANDA

Soviet propaganda during the past month has continued attempts to discredit American personnel, and also to American Army and Navy servicemen that they should be out of China. American foreign policy has been hit, including articles on the governing of Korea and Japan.